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RUEHGZ/AMCONSUL GUANGZHOU 9520
RUEHHK/AMCONSUL HONG KONG 6809
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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 003013

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SUBJECT: VICE PRESIDENT LIU SEES ANTI-CHEN MOVEMENT
FAILING, "THIRD FORCE" RISING

REF: TAIPEI 01544

Classified By: AIT Director Stephen M. Young. Reason(s):
1.4 (B/D)

¶1. (C) Summary. Vice President Annette Lu told the Director that she believes the "Depose Chen" movement will blow over in the next few weeks, but expressed concern about the potential for violence by anti-Chen demonstrators. She steadfastly defended President Chen Shui-bian and gave no outward indication she expects to move up before the end of Chen's term in May 2008. Lu blamed the pan-Blue camp for two years of legislative gridlock, and urged AIT to put more pressure on the Blues, especially KMT Chairman Ma Ying-jeou, to pass the defense budget and other gridlocked legislation in the Legislative Yuan (LY) this fall. Finally, she downplayed the significance of her interview this week with Reuters, where she seemed to be extending an olive branch to Beijing, arguing, rather, that opening up to the PRC could hurt Taiwan and that Beijing has not reciprocated thus far. Lu has become a major focus of attention in Taiwan because of the possibility that she could succeed to the presidency, even though the "Depose Chen" movement itself faces an uphill struggle. End Summary.

President Likely to Survive "Depose Chen" Movement

¶2. (C) In a meeting on August 31, Vice President Annette Lu told the Director and Deputy Director that the current threat against President Chen Shui-bian would probably blow over by the beginning of the fall LY session on September 19. She was pleased, she said, that Shih Ming-te's forces had been denied permission to demonstrate 24/7, noting that she had strongly opposed this from the beginning. Lu did, however, express concern about the potential for violence on the part of the anti-Chen demonstrators and intimated the possibility that underground gangs or mainland interference could incite violence. In contrast, she noted her own effort to build a "Blue Sky, Green Earth" coalition to reduce tensions and enhance cooperation across party lines. Throughout the hour-long meeting, Lu steadfastly defended President Chen and gave no outward indication she is hoping to move up before the end of his administration on May 20, 2008.

¶3. (C) The Director responded that the U.S. position was one of strict neutrality toward this internal Taiwan domestic

political issue, though the U.S. does hope the demonstrations will remain peaceful. This was not, he noted, a "colored revolution" of the Former-Soviet Union variety, where demonstrators did not have any legal or constitutional mechanisms to express their views, as they have in democratic Taiwan.

¶4. (C) Lu then turned to Shih Ming-te, noting that she and Shih had both participated in the December 1979 "Kaohsiung Incident" and had been members of the "Kaohsiung Eight" imprisoned after the incident. She had been the first of the "Kaohsiung Eight" arrested, she explained, while Shih had been the last, and then only after one month in hiding. She commented cryptically that Shih had been in negotiations with the police during the Kaohsiung demonstrations.

Intimations of a "Third Force"

¶5. (C) Vice President Lu suggested that a "Third Force" could emerge on the Taiwan political scene. There appeared to be divisions within the KMT, she said, with tensions apparent between KMT Chairman Ma Ying-jeou and KMT LY Speaker Wang Jin-pyng, which reflected the basic Mainlander-Taiwanese split in the party. Noting that Wang represented the Taiwanese wing of the KMT, and that she herself had close ties to a number of NGOs focused on social welfare and livelihood issues, she surmised that a "Third Force" focused on these and anti-corruption issues might emerge in counterpoint to the resurgent mainland-dominated KMT and the scandal-ridden DPP.

Defense Deadlock: KMT Did It

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¶6. (C) VP Lu insisted to the Director that the two-year stalemate on defense procurement was the fault of the pan-Blue camp, especially KMT Chairman Ma -- "not Chairman Mao but Chairman Ma." Blue legislators voted against the defense budget week after week, she said, then rushed off to Beijing for meetings. Some in the KMT did not care about national defense, she charged, urging AIT to put more pressure on the Blues, especially Chairman Ma, to pass the defense spending budget and other gridlocked legislation in the LY this fall.

Mixed Views on Cross-Strait Prospects

¶7. (C) Lu downplayed the significance of her interview this week with Reuters, where she seemed to be extending an olive branch to Beijing, as nothing new. Rather, she insisted that further cross-Strait opening would damage Taiwan.

Mum's the Word

¶8. (C) As the Director stood to leave, VP Lu apologized for the press "leak" following their last meeting in May, just after the CSB transit brouhaha. She stressed that only she and her two note-taking assistants were present at this meeting, and pledged they would not inform the press about the meeting. MOFA representatives who attended the last meeting, she said, pointing to the empty chairs next to her, had not been invited this time.

Comment: Lower Key, But Loquacious

¶9. (C) VP Lu was loquacious but slightly lower key than usual. She sought to demur comment on sensitive issues ("I really don't know much about opposition politics"), but then proceeded under the Director's prodding to offer extensive commentary. Lu was highly critical of political adversaries

-- her innuendo that Shih Ming-te colluded with the police at the time of the Kaohsiung Incident, and her references to "Chairman Ma, not Chairman Mao, but Chairman Ma."

¶10. (C) DPP interlocutors uniformly agree that Lu remains as ambitious as ever, her eyes squarely on the presidential prize despite her low poll ratings within the DPP and island wide. She has, moreover, demonstrated that she will seize any chance and run with it. She moved quickly in December 2005 when appointed DPP Acting Chairman to stamp her ideas on the party. She summoned the Director to an "urgent" meeting in early May, when serving as Acting President during Chen's Central America trip. While Shih Ming-te's "Depose Chen" movement does not appear likely to obtain its objective at this point, Lu has become a major focus of attention in Taiwan because of the possibility that she could succeed to the presidency.

¶11. (C) Our visit this time was intended to show respect for her position and pave the way for cooperation should the rough and tumble politics of democratic Taiwan elevate her to the Presidency. That said, we continue to believe a Lu Presidency would be contentious at home and cause real problems for both Beijing and Washington.
YOUNG